

Small Business Regulatory Fairness Board

Small Business Impact Statement

Date: July 18, 2016

Rule Number: 11 CSR 45-40.060

Name of Agency Preparing Statement: Missouri Gaming Commission

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Name of Person Approving Statement: Tim McGrail

Please describe the methods your agency considered or used to reduce the impact on small businesses *(examples: consolidation, simplification, differing compliance, differing reporting requirements, less stringent deadlines, performance rather than design standards, exemption, or any other mitigating technique).*

This rule codifies the requirements in § 313.930.3(2),(3) & (4), RSMo, regarding the maintenance of a reserve, segregation of player funds, and protection of player funds from licensed operators' creditors. In lieu of requiring the businesses to maintain a separate account with funds equal to the amount they are holding for player deposits, we have provided an option to allow the business to create a separate entity to hold the funds in the player accounts. This allows for protection of the funds without requiring the business to match the amount of funds in player accounts. This option makes compliance more affordable for small businesses.

Please explain how your agency has involved small businesses in the development of the proposed rule.

The Missouri Gaming Commission met in person with one of the two Missouri small businesses offering fantasy sports contests in Missouri prior to filing these proposed rules. We spoke with the other business by phone. The MGC also discussed its proposed implementation of HB 1941 (2016) (§313.900 – §313.1020, RSMo) by phone with the company and representatives of the Small Business Fantasy Sports Trade Association (SBFSTA). The MGC shared with those companies and the SBFSTA its proposed rules as well as the presentation it made to its commissioners during its June 2016 Commission meeting, which explained what the legislation required and how the MGC would implement those requirements prior to filing the proposed rules. The public hearing on the proposals will be held on October 4, 2016, when all interested parties, including small businesses, can submit comments.

Please list the probable monetary costs and benefits to your agency and any other agencies affected. Please include the estimated total amount your agency expects to collect from additionally imposed fees and how the moneys will be used.

The MGC does not expect that there will be any additional monetary costs to this or any other state agency associated with the implementation of the proposed rule. This rule does not impose any fees on the regulated entities.

Please describe small businesses that will be required to comply with the proposed rule and how they may be adversely affected.

There are approximately 70 small businesses nationwide offering online fantasy sports contests, two of which are located in Missouri. These two, should they choose to become licensed in Missouri, would have to comply with this rule. The small businesses would either have to hold in reserve an amount of funds equal to the amount held in Missouri registered players' accounts or they would have to set up a new subsidiary company that is protected from creditors that would hold the actual funds in Missouri players' accounts. It is anticipated that it would be impractical for small businesses to set up a reserve account due to the cost. We anticipate therefore that businesses would choose the latter option, as it would be more cost effective over time.

Please list direct and indirect costs (in dollar amounts) associated with compliance.

The costs associated with compliance are estimated to be \$2,105 per company. To set up a new separate company, it would require legal fees that we estimate to be \$2,000 and filing fees of \$105. This would be a one-time cost.

Please list types of business that will be directly affected by, bear the cost of, or directly benefit from the proposed rule.

Fantasy sports contest operators offering fantasy sports contests to Missouri residents will be affected by this rule.

Does the proposed rule include provisions that are more stringent than those mandated by comparable or related federal, state, or county standards?

Yes___ No_X_

If yes, please explain the reason for imposing a more stringent standard.

For further guidance in the completion of this statement, please see §536.300, RSMo.